

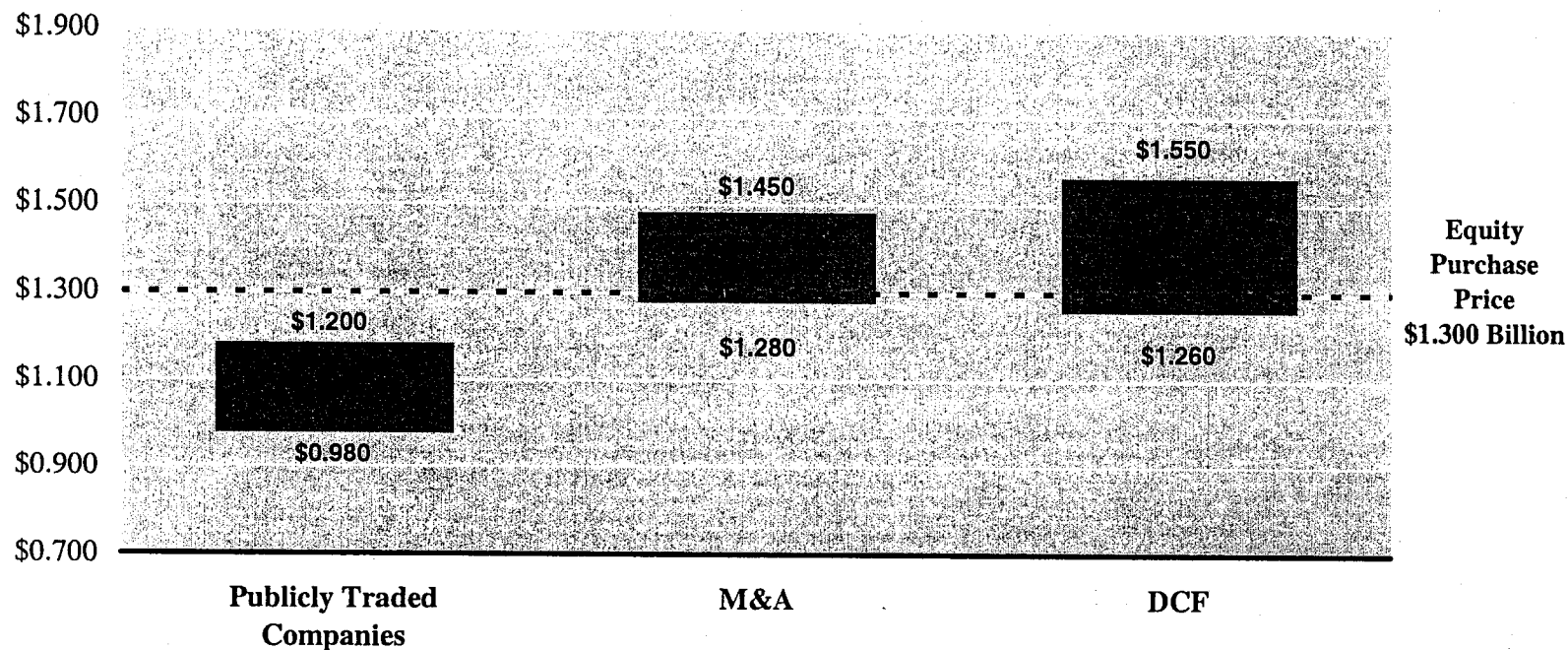
OVERVIEW OF VALUATION METHODOLOGIES

CSFB considered the following methodologies in its valuation of Chesapeake:

Valuation Methods Considered	Comments/Applicability
Comparison of Selected Publicly Traded Companies	<ul style="list-style-type: none"> Comparison of the multiples implied by Pacific's proposed acquisition of Chesapeake to the trading multiples of comparable publicly-traded managed care companies and a calculation of an implied valuation range for Chesapeake based on these comparables
Comparison of Selected Merger and Acquisition Transactions	<ul style="list-style-type: none"> Comparison of the multiples implied by Pacific's proposal for Chesapeake to the multiples of selected managed care transactions and a calculation of an implied valuation range for Chesapeake based on one particularly relevant transaction, the acquisition of Cerulean Companies, Inc. by WellPoint Health Networks, Inc.
Discounted Cash Flow Analysis	<ul style="list-style-type: none"> Calculation of an implied valuation range for Chesapeake based on the present values of future cash flows, under various terminal value and discount rate assumptions, using management's projections

VALUATION SUMMARY

(\$ in billions)



► Above valuation range is before any discount attributable to:

- Uncertainties associated with multi-jurisdictional approvals
- Extended duration of buyer's financial commitment
- Cost, time and effort to effect closure
- Buyer's extended exposure to an interloper without commensurate deal protection

COMPARABLE PUBLIC COMPANIES ANALYSIS OVERVIEW

CSFB has selected four comparable companies from the managed care universe for the valuation analysis.

Methodology

- ▶ To determine the value of Chesapeake using the current trading multiples of comparable publicly-traded managed care companies

Company Selection

- ▶ CSFB segregated the comparable company universe as follows:
 - Large Capitalization non-BCBS Managed Care companies: CIGNA, HealthNet, Humana, Mid Atlantic Medical Services, Oxford Health Plans and UnitedHealth Group
 - Blues companies: RightChoice Managed Care, Trigon Healthcare and WellPoint Health Networks
- ▶ CSFB selected four companies: Mid Atlantic Medical Services, Oxford Health Plans, RightChoice Managed Care and Trigon Healthcare based upon their regional business focus, membership mix, profitability and expected growth as most comparable to Chesapeake

Issues

- ▶ This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes
- ▶ No control premium is reflected in the results of the public market valuation

Summary Conclusion

- ▶ Based upon selected multiples, the implied equity value of Chesapeake is between \$0.980 billion and \$1.200 billion *on a fully-distributed trading basis*